



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC, CALIFORNIA PARTIES AGREE TO SETTLEMENT WITH MIRANT

SAN FRANCISCO, Jan. 14, 2005 – The California Public Utilities Commission (PUC) today announced it had entered into a settlement agreement with Mirant Corp. and its affiliates, which is conservatively valued at \$519 million to \$559 million. Mirant and its affiliates filed bankruptcy on July 14, 2003, and the settlement is subject to Federal Energy Regulatory Commission (FERC) and bankruptcy court approval.

The settlement will resolve claims for overcharges in the Western electric and gas markets during the energy crisis, including the refund proceeding before the FERC and related appeals, as well as the PUC's litigation over a long-term contract between Mirant and the California Department of Water Resources (DWR), and litigation related to Reliability Must Run (RMR) contract provisions. The settlement was also agreed to by the other California parties, including the Attorney General, the California Electricity Oversight Board, DWR, Pacific Gas and Electric Company (PG&E), Southern California Edison, and San Diego Gas and Electric Company.

"After long, intensive months of work, the staff of the PUC, working with the other California parties, has agreed to this settlement with Mirant that will return money to ratepayers and put an end to costly litigation," said Commission President Michael R. Peevey. "The California parties are to be commended for their work on this and the other refund cases, and we will continue to pursue refunds owed to the state from overcharges during the energy crisis."

To settle the FERC refund proceeding and the long-term contract litigation, Mirant will assign to the settling parties approximately \$318 million that Mirant claimed it was owed for sales during the energy crisis through the California Power Exchange and the California Independent System Operator. The California parties also will receive an unsecured claim of \$175 million in the bankruptcy of Mirant Americas Energy Marketing.

As settlement of the RMR litigation, PG&E will receive either the uncompleted 540-megawatt CC8 generation facility (plus equipment, permits, and contracts necessary to complete it) or \$70 million to \$85 million. PG&E will also receive unsecured claims that will result in distributions of \$63 million from the bankruptcy of Mirant Delta, LLC. PG&E and Mirant also agreed to an RMR rate settlement through 2008 and additional agreements that will allow PG&E to fully dispatch certain Mirant units for the period Jan. 1, 2005 through Dec. 31, 2012. PG&E will also receive a purchase option for Mirant's Delta Plants at the Contra Costa and Pittsburg Power Plants, after Mirant retires those facilities, if PG&E and Mirant agree to the terms of such an option and execute an option agreement by April 30, 2005.

For more information on the PUC, please visit www.cpuc.ca.gov.

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